

Message Text

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ACTION ARA-10

INFO OCT-01 SP-02 USIA-06 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03 H-02 AGR-05

IGA-02 CIAE-00 COME-00 INR-07 NSAE-00 XMB-02 OPIC-03

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R 261753Z JUL 76

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 6489

C O N F I D E N T I A L BUENOS AIRES 4867

E.O. 11652: GDS

TAGS: EINV, AR,

SUBJECT: DELTEC CASE

1. ALTHOUGH COMMISSION WAS NOT ESTABLISHED BY GOA TO STUDY RESOLUTION OF DELTEC INVESTMENT PROBLEM, SOME PROGRESS HAS NEVERTHELESS BEEN MADE. AS MINISTER MARTINEZ DE HOZ INDICATED IN EARLY CONVERSATION WITH AMBASSADOR (BUENOS AIRES MEMCON, MAY 12), PROBLEMS OF CHASE MANHATTAN AND OTHER BANKS, EXXON AND ITT/STANDARD WOULD BE DEALT WITH FIRST, AND DELTEC, BECAUSE OF POLITICAL SENSITIVITY, WOULD BE HANDLED IN LOW KEY, THROUGH JUDICIARY CHANNELS INsofar AS POSSIBLE.

2. DELTEC ATTORNEY ARANDA INFORMED EMBASSY JULY 21 HE HAS HAD CONVERSATIONS WITH MARTINEZ DE HOZ, SECRETARY OF AGRICULTURE CADENAS MADARIAGA, SECRETARY OF PROGRAMMING AND COORDINATION KLEIN AND ALSO WITH MARTINEZ DE HOZ ASSISTANT AURELIO CID, WHOM THE MINISTER HAS DESIGNATED TO FOLLOW THE DELTEC CASE. ARANDA REPORTS THAT THERE IS A GENUINE DESIRE TO SETTLE MATTERS. HE SAYS MARTINEZ DE HOZ HAS SPOKEN TO MINISTER OF JUSTICE GOMEZ REGARDING THE CRIMINAL CASE AND URGED HIM TO USE HIS INFLUENCE WITH JUDGE ORGEIRA TO KEEP MATTERS MOVING EXPEDITIOUSLY AND FAIRLY. THERE IS A PLAN, ARANDA SAID, WHEREBY A MAJOR DELTEC OFFICIAL (PERHAPS
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EUGENIO HOLMBERG) MAY RETURN TO ARGENTINA AND TESTIFY AND THAT

HIS TESTIMONY MIGHT LEAD TO A DISMISSAL OF THE CRIMINAL CHARGES.

3. REGARDING THE BANKRUPTCY PROCEEDINGS, IT WILL BE RECALLED THAT WHAT DELTEC REPRESENTATIVES WANT IS THE PROMPT LIQUIDATION OF THE SWIFT PROPERTIES, SO THE CREDITORS CAN BE PAID. THE TRUSTEE ("INTERVENTOR") APPOINTED BY THE PREVIOUS GOA HAD BEEN DELAYING PROCEDURES. ACCORDING TO ARANDA, NEW TRUSTEE HAS BEEN DECIDED UPON, THOUGH THE DECREE APPOINTING HIM HAS NOT YET BEEN ISSUED. THE NEW MAN, DR. JORGE AJA ESPIL, IS A PROFESSOR OF CONSTITUTIONAL LAW AND FORMER ARGENTINE AMBASSADOR TO COLOMBIA. ARANDA KNOWS HIM WELL, HAS GREAT CONFIDENCE IN HIM, AND SAYS THAT AJA ESPIL IS ALREADY STUDYING THE DELTEC SITUATION AND IS TO COME UP WITH A PLAN FOR LIQUIDATION WITHIN 20 DAYS AFTER HIS FORMAL APPOINTMENT.

4. FINALLY, ARANDA REPORTED THAT A PETITION IS ON FILE WITH THE SUPREME COURT TO DECLARE NULL AND VOID THE EARLIER BANKRUPTCY DECISION ON THE ESPERANZA SUGAR MILL (NOT THE OTHER DELTEC ASSETS). ARANDA THOUGHT THERE ARE NOW VERY GOOD CHANCES THAT THE SUPREME COURT MAY TAKE THIS ACTION, WHICH WOULD CLEAR THE WAY FOR DISPOSAL OF THE PROPERTY.
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